

Navistar Inc. Retiree Supplemental Benefit Plan

May 4, 2010

John V. Mulvaney, Sr.
Vice President, Finance Special Projects
Navistar, Inc.
4201 Winfield Road
Warrenville, IL 60555

Re: Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Dear Mr. Mulvaney:

This letter is sent on behalf of the Supplemental Benefit Committee (the "Committee") established under the Navistar International Transportation Corporation Retiree Supplemental Benefit Program.

I.

OVERVIEW AND SUMMARY

Earlier this month, the Committee received from Navistar, Inc. a letter dated April 7, 2010 and an enclosed set of Schedules. Those Schedules identify Navistar's calculation of "Qualifying Profits," as that term is defined in the Supplemental Benefit Trust Profit Sharing Plan (the "Supplemental Profit Sharing Plan"), for fiscal years ended in 2009, 2008, and 2007. The Committee has a number of general and specific concerns relating to those Schedules. In summary:

- Navistar, Inc. and other successors to Navistar International Transportation Corp. (each and together the "Company") are not timely meeting all of their reporting obligations under the Supplemental Profit Sharing Plan. The Supplemental Profit Sharing Plan requires the Company to provide specified reports and information about both "Qualifying Profits" and "Qualifying Hours" to the Committee no later than ninety (90) days after the end of the fiscal year in question. The 2008 and 2007 Schedules noted above were delivered well after that deadline, and include only portions of the information required under the Supplemental Profit Sharing Plan. Coupled with the Company's tardy reporting for 2005 and 2006, this suggests a concerning pattern of tardy reporting by the Company. The Committee

expects the Company to provide the required calculations and information in accordance with the timing requirements in the Supplemental Profit Sharing Plan.

- The Committee disputes the Company's calculation of Qualifying Profits for each of the years 2009, 2008 and 2007. The Committee hereby provides notice of that dispute pursuant to section 8.4 of the Supplemental Benefit Plan, as explained more fully in Part II.A., below.
- The Schedules of Qualifying Profits provided by the Company on April 7, 2010 and on earlier dates do not provide sufficient information to verify the accuracy and reasonableness of the Company's calculations. Pursuant to section 8.6 of the Supplemental Profit Sharing Plan, the Committee hereby requests that the Company provide the additional information that is described more fully in Part II.B., below.
- The Schedules that the Company sent to us on April 7, 2010 do not contain any reports or information relating to "Qualifying Hours." The Committee requests that the Company immediately provide such reports and information, as required under sections 8.1, 8.2 and 8.3 of the Supplemental Profit Sharing Plan.

II.

SPECIFIC NOTICES AND REQUESTS

A. NOTICE OF DISPUTE

Each of the Schedules that the Company sent to us on April 7, 2010 proposes to exclude from the total amount of Qualifying Profits the Company's income from the Medicare Part D subsidy. That exclusion has no basis in law or in the Supplemental Profit Sharing Plan document, and should be corrected immediately. The Committee reserves the right to dispute other entries on the Schedules following its receipt of the additional information described below. The Company should treat this letter as the notice of dispute described in Section 8.4 of the Supplemental Profit Sharing Plan.

B. REQUEST FOR ADDITIONAL INFORMATION REGARDING THE COMPANY'S CALCULATIONS OF QUALIFYING PROFITS

1. Reconciliation Schedules: The Committee has a fundamental responsibility to review and to verify the Schedules of Qualifying Profits provided to it by the Company. For this purpose, the Committee believes that it generally may rely upon the audited financial statements reported by Navistar International Corporation in its annual reports on SEC Form 10-K. Those statements, however, are presented on a consolidated basis. Standing alone, they do not provide the level of detail needed to isolate all of the specific components used to calculate "Qualifying Profits" as defined in the Supplemental Profit Sharing Plan. It is the Committee's understanding that for at least one prior year, the Company provided to the UAW an entity-by-entity schedule of

information designed to tie the Company's calculation of qualifying profits for a similar profit sharing plan (the "UAW Plan") back to the Company's audited financial statements. A copy of that entity-by-entity reconciliation schedule for the UAW Plan is attached to this letter at Tab A. We kindly request that the Company provide to this Committee a similar set of entity-by-entity reconciliation schedules for the Supplemental Profit Sharing Plan's Qualifying Profits for the fiscal years ended in 2009, 2008, 2007, 2006, 2005, 2004 and 1998, taking into account the different formula used to define Qualifying Profits under this Plan. For this purpose, we further request that the Company follow the general format shown in the blank reconciliation form attached to this letter at Tab B. Please note that the form attached at Tab B updates the format reflected in the 2004 UAW Plan schedule to include important information that was not included in the 2004 UAW Plan schedule.

2. Other Adjustments: The restated Schedule of Qualifying Profits that the Company provided for the year ended October 31, 2004 contains a section entitled "Other Adjustments," which describes \$25.2 million in calculation errors contained in the original October 31, 2004 Schedule of Qualifying Profits. Please provide the following additional information regarding those calculation errors:

- (a) How, when and by whom (e.g., auditors or SEC) were the errors discovered?
- (b) Were any of the same errors also made in previous years' profit sharing calculations, and if so, what was the impact on such prior year(s)' calculation of Qualifying Profits?
- (c) List and describe the items that were included in the "all other adjustments" entry, which decreased income of Covered Operations by \$199,000.

3. Restatement Adjustments for 2004: Within the Notes to the Schedule of Qualifying Profits restated for the year ended October 31, 2004, the Company states that their consolidated income before income tax was reduced by \$346 million. A table following this note displayed a \$303 million reduction in Qualifying Profits due to the restatement. Please explain why Qualifying Profits received such a high proportion ($\$303\text{M}/\$346\text{M} = 88\%$) of the restatement adjustments, given that Qualifying profits, as reported before the restatement, represented only 37% ($\$114\text{M}/\311M) of consolidated income before tax income.

C. WORKSHEETS, REPORTS AND LISTS FOR QUALIFYING HOURS

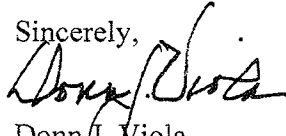
The Schedules sent to us on April 7, 2010 address "Qualifying Profits" only. They do not include any information relating to "Qualifying Hours." Sections 8.1, 8.2 and 8.3 of the Supplemental Profit Sharing Plan require the Company to provide worksheets, reports and lists that identify and explain the Company's calculation of *both* Qualifying Profits and Qualifying Hours. We kindly request that the Company provide, without further delay, the required worksheets, reports and lists relating to the Qualifying Hours calculations for the fiscal years ended in 2009, 2008 and 2007.

D. REPORTING FOR FUTURE YEARS

We appreciate the effort that went into the preparation of the Schedules of Qualifying Profits that you sent to us on April 7, 2010. Nonetheless, as the foregoing text of this letter illustrates, the level of detail provided in those Schedules is both incomplete and insufficient to enable the Committee to review and verify the Company's calculation of the amounts required by the Supplemental Profit Sharing Plan. In this respect, the Schedules do not comply with the letter or spirit of Article 8 of the Supplemental Profit Sharing Plan. We respectfully request that the Company's reports for future years include, at a minimum, a reconciliation schedule of the kind described in Part II.B., above, and the required information regarding Qualifying Hours, as noted in Part II.C., above. Additionally, and in the interest of saving time and expense for both the Company and the Committee, we also suggest that, following the Company's delivery to the Committee of the information requested in this letter, the parties schedule a face-to-face meeting among our representatives for the purposes of resolving any outstanding questions on the part of the Committee or its accountants.

Thank you for your prompt attention to the matters described above.

Sincerely,



Donn J. Viola

cc: Thomas Hennigan
Tim Bressler
Bob Mikulan
David Radelet
Janis Bair
Douglas Hunter
Mike LaCour
Jeffrey Dokho
Jack McCaskey

TAB A

OCT-24-2005 12:57

Navistar International Corporation
UAW Profit Sharing Calculation
For the Year Ended October 31, 2004
(\$000)

COPY REFERENCED
IN RESPONSE NO. 3

	2004	Pre-Tax Pre-P/S Income	After-Tax Net Income	Memorandum of Understanding Reference
Profit Sharing Entities:				
International Truck and Engine Corporation (ITEC)	\$ (37,443)	Yes		B.1.(a)
Export Company	12,956	Yes		B.1.(a)
Overseas Company	(1,331)	Yes		B.1.(a)
IC Corporation (Conway, Arkansas)	26,509	Yes		B.1.(a) (4)
Indianapolis Casting Corporation	(28,873)	Yes		B.1.(a)
Income from Newstream	(797)	No		B.1.(a) (5)
Pre-tax loss of ITEC continuing U.S. operations before provision for profit sharing and bonuses	\$ (28,979) A			
Net Income Navistar Financial Corporation (NFC)	61,179 B		Yes	B.1.(b)
Navistar International Corporation (NIC, Holding Company)	26,175 C	Yes		B.1.(c)
Net Income	\$ 58,375 D			
Medicare Act	(32,071) E	No		
(Gain) / Loss on disposal of assets	49 F	No		B.1.(a) (3)
Profits eligible for profit sharing	\$ 26,353 G			
Non-Profit Sharing Entities:				
1 NLP, Inc.	\$ 7,435	No		B.1.(a) (4)
2 Canada	17,335	No		B.1.(a)
3 Mexico	54,003	No		B.1.(a)
4 Brazil	88	No		B.1.(a)
5 Brazil (ICB/IESA)	6,422	No		B.1.(a)
6 Mexico Brazil (IESA)	5,108	No		B.1.(a)
7 Navistar Advanced Technology (NAT)	1,512	No		B.1.(a) (4)
8 SST Truck Company	57,774	No		B.1.(a) (4)
9 Navistar Aftermarket Products (NAP)	(546)	No		B.1.(a) (4)
10 International Diesel of Alabama (Huntsville)	51,668	No		B.1.(a) (4)
11 IC Corporation (Tulsa, Oklahoma)	43,940	No		B.1.(a) (4)
12 Harbour Assurance	2,360	No		B.1.(a)
13 Navistar Acceptance Corporation	(5)	No		B.1.(a)
14 Arrendadora Financiera Navistar (AFN)	4,518	No		B.1.(a)
15 Servicios Financieros Navistar (SFN)	10,579	No		B.1.(a)
16 Navistar Comercial, S.A. de C.V.	117	No		B.1.(a)
Total non-profit sharing entities	\$ 262,307			
Adjustments to get back to pre-tax income:				
Income from Newstream	797			
NFC add-back to get to pre-tax income	41,169			
Medicare Act	32,071			
(Gain) / Loss on disposal of assets	(49)			
Non-consolidated income	4,104			
Profit sharing and bonus payments	(56,000)			
Total adjustments	\$ 22,092			
Pre-tax income before income tax	\$ 310,752			
Income Tax Expense	(64,354)			
Net Income	\$ 246,398			

Reconciliation to audited financial statements:		
Income (loss) from continuing operations before income taxes	\$	311
Income tax expense (benefit)		64
Income (loss) from continuing operations before income taxes	\$	247

TAB B

**Supplemental Benefit Trust Profit Sharing Plan
Entity Breakout / 10k Reconciliation Schedule**

ATTACHMENT 1

	Amount	Pre-Tax Pre-P/S Income	After-Tax Net Income	Supplemental Benefit Trust Profit Sharing Plan Reference	Brief Description of Entity or reconciling item listed	List of plants / facilities / locations included in each entity
Profit Sharing Entities:						
<u>Navistar Inc. (previously NITC) and all affiliates and subsidiaries</u>						
Entity #1	\$ -					
Entity #2	\$ -					
Entity #3	\$ -					
etc.	\$ -					
Total Navistar Inc.	\$ -			A		
<u>Navistar International Corporation ("NIC") and all affiliates and subsidiaries</u>						
Entity #1	\$ -					
Entity #2	\$ -					
Entity #3	\$ -					
etc.	\$ -					
Total Navistar International Corporation ("NIC")	\$ -			B		
Total Navistar Inc. and NIC ¹				A+B	C	
<u>Navistar Financial Corporation ("NFC") and all affiliates and subsidiaries</u>						
Entity #1	\$ -					
Entity #2	\$ -					
Entity #3	\$ -					
etc.	\$ -					
Total Navistar Financial Corporation ("NFC") ¹	\$ -			D		
(Gain) / Loss on disposal of assets ¹	\$ -			E		
Other - (Please describe)	\$ -			F		
Total Profits Eligible for Profit Sharing ¹				C+D+E +F	G	
Non-Profit Sharing Entities:						
Entity #1	\$ -					
Entity #2	\$ -					
Entity #3	\$ -					
etc.	\$ -					
Other - (Please describe)	\$ -					
Total Non-Profit Sharing Entities	\$ -			H		
Adjustments to get back to pre-tax income:						
(Gain) / Loss on disposal of assets	\$ -					
Profit Sharing and bonus payments	\$ -					
Other - (Please describe)	\$ -					
Total Adjustments	\$ -			I		
Pre-tax income ²				G+H+I		
Income tax expense ²	\$ -					
Net Income ²	\$ -					
¹ - Amount should tie to applicable Schedule of Qualifying Profits ² - Amount should tie to applicable annual 10K filing						